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ARIZONA CORPORATION COMMISSION



060

July 17, 2006

Arizona Corporation Commission
DOCKETED

JUL 17 2006

Mr. Craig A. Marks
Arizona American Water Company
19820 North 7th Street, Suite 201
Phoenix, Arizona 85024

DOCKETED BY	nr
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RE: ARIZONA AMERICAN WATER COMPANY, INC. – FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER AND ANTHEM/AGUA FRIA WASTEWATER DISTRICTS, DOCKET NO. WS-01303A-06-0403

LETTER OF DEFICIENCY

Dear Mr. Marks:

In reference to your rate application received on June 16, 2006, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until August 1, 2006, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

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2006 JUL 17 P 3:24
AZ CORP COMMISSION
DOCUMENT CONTROL

The Staff person assigned to your application is Dennis Rogers. He can be reached at (602) 542-0871, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "James Dorf", with a stylized flourish extending from the end.

James Dorf
Chief, Financial & Regulatory Analysis Section
Utilities Division

CC: Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Anthem Water/Wastewater Deficiencies
Docket No. WS-01303A-06-0403

Water:

1. The amount on Schedule C-1 Test Year Book Results before adjustments (Column A) of \$4,685,276 does not agree with the Schedule H-2 Total Unadjusted Revenues under Present Rates of \$4,543,703. The difference of \$141,573 is not reconciled to the Book Results but combined with the customer growth to arrive at Total Company Including Test Year Adjustment / Customer Growth.
2. Schedule E-6 shows Test Year Revenues of \$4,685,276, which is the same as Schedule C-1, but differs from Schedule H-2, Total Unadjusted Revenues of \$4,543,703.
3. In reviewing the "Current" and "Proposed" Rates in Schedule H-3, Schedule H-3 does contain a discrepancy with the current approved tariff. Schedule H-3 shows \$420 (Service Installation) and \$240 (Meter Installation) for a total of \$660 for a 1" Service Size. The current tariff amount, approved in Decision 67093, is \$600 for a 1" Service Size.
4. There is a difference between the revenues by class per H-2 and the amounts recalculated per H-5. Adjusting for the differences between the columns labeled "Number or Customers by Bill Block" and "Weighted Customer Charge Units" multiplied by applicable rates helped to close the gap in total but there are differences by class.
5. Schedule E-6 shows Test year Revenues of \$4,685,276 which is the same as Schedule C-1 when both Metered and Unmetered Revenues are considered, but differs from Schedule H-2, Total Unadjusted Revenues of \$4,543,703. Also, it is unclear which rate schedules comprise the Unmetered Revenues, when comparing H-5 with other schedules.

Wastewater:

6. The amount on Schedule C-1 Test Year Book Results before adjustments (Column A) of \$3,995,429 does not agree with the Schedule H-2 Total Unadjusted Revenues under Present Rates of \$3,867,429. The difference of \$127,587 is not reconciled to the Book Results, but each number is adjusted by different amounts to arrive at the same amounts for Total Company Including Test Year Adjustment/ Customer Growth.
7. Schedule E-6 shows Test year Revenues of \$3,995,429 which is the same as Schedule C-1 but differs from Schedule H-2, Total Unadjusted Revenues of \$3,867,429.

8. There is a difference between the revenues by class per H-2 and the amounts recalculated per H-5. When adjusted for the differences between the columns labeled "Number of Customers by Bill Block" and "Weighted Customer Charge Units" multiplied by applicable rates, this closed the gap between the bill count revenue per H-5 data and the H-2 amounts for the residential class, but it created a gap of \$7,235 in the commercial group and did nothing to mitigate the \$3,674 in the Other (Wholesale) group.